CURRENCY

Committee on Financial Services

Michael G. Oxley, Chairman

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BAKER'S SUBCOMMITTEE ACTS TO PROTECT RETIREMENT INVESTMENTS FROM GOVERNMENT TAX BITE

Subcommittee Chairman Richard H. Baker (LA) and his Capital Markets Subcommittee today approved a bill to protect Americans' equities investments from the government tax bite. Introduced by U.S. Rep. Vito Fossella (NY), the Investor and Capital Markets Fee Relief Act was passed by voice vote.

Currently, Americans are being overcharged in government fees when they invest in equities, and retirement funds are hit hard. If nothing is done to stop the flow of investors' cash into the government till, **more than $24 billion in overcharges will be collected over the next ten years**. The legislation passed today would **reduce fees by about 60 percent**, while still ensuring that the U.S. Securities and Exchange Commission (SEC) remains fully funded.

Baker said, "The bill ceases the public policy of crediting SEC fees as general revenue of the Treasury. The federal government should be encouraging more Americans to invest responsibly and safely for their futures, not targeting them as a revenue source for unrelated government spending and limiting the full potential of their long-term hopes and dreams."

Intended as a user fee to pay for government oversight of the capital markets, the charges are now out of control. **Since 1990, American investors have been overcharged by almost $9.2 billion**. This year alone, about $2 billion in excess fees will go into the government cash register. In 2000, **more than six times the amount needed** to fund the SEC was collected.

Fossella said, "Now is the time to end this unfair tax and reduce the fees to a more appropriate level. They represent a nearly $2 billion drag on the capital markets, hindering productivity and restraining economic growth. This bipartisan bill, especially when combined with a larger and more comprehensive tax relief initiative, will expand freedom and prosperity for all Americans."

Oversight and Investigations Subcommittee Chair Sue W. Kelly (NY), an original cosponsor of the measure, said, "These excessive fees hurt investors and hamper economic growth. It's time to reduce this tax and stop overcharging investors. I will continue to work to ensure swift House passage of this legislation. We need to give investors a break now."

At a time when retirement investment should be encouraged, the fees damage the long-term capital appreciation of retirement funds.

As an example, Financial Services Committee Chairman Michael G. Oxley (OH) looked at the two largest public retirement funds in Ohio, the State Teachers Retirement System and the Public Employees Retirement System. In the year 2000, the **members of these two systems were overcharged to fund the SEC by $371,000**. Over 10 years, the **members and retirees of those systems will lose $4.5 million from their fund** solely as a result of government overcharging (assumes only a modest 5 percent return on capital).

In addition to public retirement systems, similar losses are borne by those who invest in private employer-sponsored retirement plans, mutual funds, stocks, bank trusts, life insurance policies, and 401k plans.

Oxley said, "Teachers, state highway workers, and everyone who invests for the future, should have the benefit of every dollar that belongs to them. Right now, they're sacrificing long-term capital appreciation to fill the government's cash registers, and that is indefensible."

The bipartisan measure was introduced on March 19 with 35 original cosponsors, including U.S. Rep. Carolyn B. Maloney (NY). The Subcommittee held a hearing on the issue on March 7.

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